


ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



MEMO

TO: ABAG PLAN Executive Committee

FROM: Darrell Dearborn, Interim Risk Manager 

DATE: July 21, 2010

SUBJECT: Requested Information re: ABAG PLAN Budget Policies

The attached information is provided in response to a request from the office of the ABAG PLAN Counsel, dated June 22, 2010, that ABAG PLAN provide draft budget administration policies that mitigate against unauthorized expenditure of ABAG PLAN funds.

It is recommended that the Committee review the attached information about existing and recommended budget control policies for ABAG PLAN, and give direction to staff regarding policies it wishes to follow in the future.

Attachment

RECOMMENDED POLICIES REGARDING ABAG PLAN BUDGETARY CONTROLS

In view of the concerns of the ABAG PLAN Board to establish more explicit policies to exert budget controls of expenditures, to facilitate more explicit project reporting and to facilitate timelier reporting, the following policies are recommended for ABAG PLAN consideration.

1. Separate Budgets for Large Non-Recurring Projects. Any project with non-recurring expenditures in excess of \$100,000 could have a separate project (OWP) created to keep track of the expense separate from on-going operating expenses. Expenditure reports for the project can be produced monthly and quarterly, if desired, as described below.
2. Reporting. The Finance Committee meets in April or May to review the proposed budget for the next year. Monthly or quarterly expenditure reports can be distributed to the Committee. The Committee may call a meeting to review these reports as issues arise. In addition, Committee members may contact the Risk Manager or the CFO with questions as needed. If questions are submitted in writing, answers will be copied to all Committee members. These reports are now distributed to the Risk Manager every month.
3. Expenditure Controls. Although the budget is entered into the financial system at the line-item level, expenditures are controlled at program level. In the ABAG PLAN Administrative budget, this control is exercised at the level of the total budget. ABAG Accounting also provides to project managers, including the Risk Manager, monthly Personnel Cost Allocation Reports that delineate current month and year-to-date hours and personnel cost for each person charged to a program or a project. While this data is more detailed than usually provided to a program board, it is available upon request.
4. Contract Limits. It is recommended that ABAG PLAN follow ABAG policy that any contract (excluding claims) in excess of \$50,000 will require prior PLAN Board approval, or that such authority to approve be granted as standing authority to the Finance Committee. This policy would deal with expenditures on projects such as iVOS and would also apply to other contracts during the year which may exceed \$50,000, such as the actuary contract or other consultant agreements. The Board's or Committee's approval of the higher contract amount must accompany payment requests processed by the Finance Department.

Each payment under a contract must first be approved by the contract/project manager. The ABAG account clerk currently verifies that payments attributed to a contract do not exceed the total amount listed in the executed contract.